
SENATE BILL 6186

State of Washington

57th Legislature 2001 First Special Session

By Senators Prentice, Rossi, Hale, Spanel, Johnson, Horn, Patterson,
B. Sheldon, Gardner, Oke, Winsley, Snyder, Constantine and West

Read first time 05/16/2001. Referred to Committee on Ways & Means.

1 AN ACT Relating to the taxation of grocery distribution
2 cooperatives; amending RCW 82.04.270; adding a new section to chapter
3 82.04 RCW; creating a new section; providing an effective date; and
4 declaring an emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** The legislature finds that the procurement
7 and distribution of groceries, general merchandise, products, and
8 commodities that are necessary or useful in the retail grocery business
9 incur different tax costs, depending upon the means chosen to procure
10 and distribute such inventory. Independent grocery stores have
11 organized themselves into cooperatives to gain volume-buying power that
12 enable them to benefit from the economies of scale. It is the intent
13 of the legislature to provide these grocery distribution cooperatives
14 the same tax treatment enjoyed by vertically integrated grocery chains.

15 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04 RCW
16 to read as follows:

17 (1) The amount of tax with respect to a grocery distribution
18 cooperative's sales to customer-owners of the grocery distribution

1 cooperative or of the entity controlling the grocery distribution
2 cooperative is equal to the gross income of the business derived from
3 sales multiplied by the rate of one and one-half percent.

4 (2) A grocery distribution cooperative is allowed a deduction from
5 the gross income derived from sales of groceries or related goods for
6 resale, excluding items subject to tax under RCW 82.04.260(4), to
7 customer-owners of the grocery distribution cooperative or of the
8 entity controlling the grocery distribution cooperative that is equal
9 to the gross income the represents the actual cost of the merchandise
10 sold by the grocery distribution cooperative to customer-owners.

11 (3) For purposes of this section, a "grocery distribution
12 cooperative" means an entity that: (a) Sells groceries and related
13 items to customer-owners of the grocery distribution cooperative or to
14 customer-owners of another entity controlling the grocery distribution
15 cooperative; (b) has annual gross income derived from sales to
16 customer-owners whose stores are primarily located in the state of
17 Washington in excess of three hundred million dollars annually; and (c)
18 has customer-owners, in the aggregate, who own a majority of the
19 outstanding ownership interests of the grocery distribution cooperative
20 or of the entity controlling the grocery distribution cooperative. A
21 "customer-owner" means a person who has an ownership interest in a
22 grocery distribution cooperative or an entity controlling a grocery
23 distribution cooperative, and purchases groceries and related items at
24 wholesale from that grocery distribution cooperative. "Controlling"
25 means holding fifty percent or more of the voting interests of an
26 entity and having at least equal power to direct or cause the direction
27 of the management and policies of the entity, whether through the
28 ownership of voting securities, by contract, or otherwise.

29 **Sec. 3.** RCW 82.04.270 and 1999 c 358 s 2 are each amended to read
30 as follows:

31 Upon every person except persons taxable under RCW 82.04.260(5),
32 section 2 of this act, or 82.04.272 engaging within this state in the
33 business of making sales at wholesale; as to such persons the amount of
34 tax with respect to such business shall be equal to the gross proceeds
35 of sales of such business multiplied by the rate of 0.484 percent.

36 NEW SECTION. **Sec. 4.** This act is necessary for the immediate
37 preservation of the public peace, health, or safety, or support of the

1 state government and its existing public institutions, and takes effect
2 July 1, 2001.

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